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FIRST COUNTRY COOPERATION FRAMEWORK FOR GRENADA (1997-1999)

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INTRODUCTION

1. The first country cooperation framework (CCF) for Grenada covering the period 1997-1999 is the result of extensive consultations with the Government and key development partners which began with the 1995 mid-term review of the third country programme (1992-1996) and culminated in the formulation of the Advisory Note. The formulation of the Advisory Note was preceded by a consultative meeting of the Directors of Planning of the Organization of Eastern Caribbean States (OECS), in March 1996, where the new successor programming arrangements, the thrust of the regional programme for Latin America and the Caribbean (1997-1999) and strategies for enhancing the impact of UNDP development initiatives in the individual countries and the subregion were discussed.

2. The CCF is based on the Advisory Note, which detailed the development objectives, priorities and challenges identified by the Government of Grenada and proposed entry points for the UNDP technical cooperation programme. The CCF has benefited from statements and policy documents of the Government, including the medium-term Economic Strategy Paper (1996-1999). It draws upon lessons learned from the last country programme, sectoral analyses and recommendations of the United Nations development agencies and other development partners and Plans of Action endorsed at United Nations global conferences. Consultations were held throughout the formulation process with United Nations agencies, non-governmental organizations (NGOs), and regional partners such as the OECS, the Caribbean Development Bank (CDB) and the Eastern Caribbean donor group which provided valuable information and insights.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

3. With a population of 94,486 and an area of 346 sq km, Grenada is a small tri-island State, including the two smaller islands of Carriacou and Petit Martinique. The 1996 UNDP Human Development Report places Grenada, which has a gross national product per capita of US$ 2,400, in the medium human development range with a human development index (HDI) value of 0.729 and a global rank of 77. This high ranking on the HDI, however, conceals the inherent vulnerability of an open, small island economy which is dependent on a narrow range of primary export commodities, foreign markets and is subject to commodity price fluctuations in a rapidly changing global environment.

4. From 1986-1995, Grenada's economy grew at an annual average of 4 per cent. Economic growth declined from 6 per cent in the latter part of the 1980s, to 2.3 per cent in 1994 and 1995, partly as a consequence of reduced earnings from major agricultural exports. With the decline in agriculture and increased promotion and marketing of Grenada as a tourist destination, tourism has become the major growth sector, accounting for 20 per cent of the gross domestic product (GDP) in 1995.

5. However, agriculture remains the mainstay of the economy, accounting for the bulk of employment and substantial foreign exchange earnings. The country's

agricultural production is more diversified than that of other OECS countries and includes spices such as nutmeg and mace, tropical fruits, cocoa and bananas for export. As with other Windward Island banana-producing countries, Grenada's banana industry has begun to experience the impact of the impending loss of preferential markets under the European Union's trading regime. The country also faces challenges such as high wage rates, acute labour shortages, skill deficiencies and an extremely small manufacturing sector, which contributes minimally to the economy. High wage rates relative to some other Caribbean basin countries have eroded the competitiveness of this sector. In 1992, the Government of Grenada implemented a voluntary structural adjustment programme and related fiscal reforms to address the downturn in the economy, the high debt burden and balance-of-payment problems.

6. Poverty eradication and sustainable livelihoods. According to 1996 World Bank estimates, approximately 20 per cent, or 18,960 Grenadines, are living in poverty. A 1995 situational analysis of children and their families conducted by the United Nations Children's Fund pointed to a high dependency ratio of 86.3. Female-headed households represent one of the most vulnerable segments of the population. The National Organization of Women has estimated that 45.2 per cent of households in Grenada are headed by women. The country is also experiencing a high level of unemployment, which was estimated at 26 per cent in 1996. Unemployment is particularly acute among youths and is approximately 24.5 per cent. Problems of unemployment and poverty are now being compounded by increased incidences of drug use and drug trafficking, particularly among youths. Records of the past 10 years show that the 172 persons convicted for drug offences were under 25 years of age. In addition, 10 per cent of the population is over 60 years of age, while the number of the elderly, with a life expectancy of 71 years, is growing.

7. Grenada has a high literacy rate of 98 per cent. However, educational strategies which embrace science and technology, including information technology in appropriately designed human resource development programmes, with an emphasis on out-of-school youth, are critical to achieving an increased level of productivity. Some 86 per cent of the population already has access to basic health care, with over 6 per cent of the GDP currently being expended on the health sector. Because of budgetary constraints, the Government is considering measures to transfer responsibilities for the management of health services to a statutory corporation. The Government of Grenada is paying special attention to the issue of equity in relation to its health reform policies. It is currently conducting a financial study in order to determine the most appropriate cost recovery methods. The introduction of user fees, one of the proposed cost recovery methods, might adversely affect the poor segments of the population, thereby reversing the gains Grenada has made to date in the health sector.

8. Environment and natural resource management. Given its dependence on agriculture and tourism, the Government recognizes the importance of sound environmental management as a basis for sustainable development. The 1991 Grenada Country Environmental Profile noted that the country's natural resource base has borne an increasingly heavy burden of expanding levels of human use, increasing quantities of waste materials including sewerage (especially in the urban area of St. George's and the tourist area of Grand Anse), a diminishing wildlife population, and evidence of an accelerating watershed and shoreline

problem which is linked, respectively, to deforestation and sand-mining. Grenada's National Environment Action Plan, which sets out the measures and institutional mechanisms required to strengthen environmental management in the country and reflects the Government's commitment to Agenda 21 and the Small Island Developing States (SIDS) Plan of Action, adopted in 1994. Grenada's National Economic Plan for 1991-1995 and the mid-term economic strategy place emphasis on sound environmental management and implementation of the National Environment Action Plan.

9. Governance. The Government of Grenada recognizes the need for modern, responsive administrative systems and is undertaking a Public Sector Reform Programme. The Government's strategy is focusing on streamlining the public sector and improving efficiency in economic management and the delivery of social services to rural communities through decentralization and stronger partnerships with the private sector, NGOs and community-based organizations. Public sector reform is being undertaken within the broad framework of the Canadian-funded Eastern Caribbean Economic Management Project with technical assistance being provided by the British Development Division (BDD). Through its implementation of the UNDP-funded Capacity 21 initiative, the Government has established a Sustainable Development Council which brings together representatives from the public and private sectors, the NGO community and the trade union movement. This initiative, which introduced participatory consensus-building and integrated national development planning approaches into the decision-making processes of Government, has resulted in critical dialogue among members of the Council and the Planning Unit of the Ministry of Finance and other sectoral ministries. The Government of Grenada is keen to broaden and reinforce this broad-based coordinated approach to national decision-making as a way of strengthening long-range strategic planning and improving public sector performance.

10. Government strategy. Recognizing the magnitude and complexity of the economic and social development challenges that the country now faces, the Government's medium-term Economic Strategy Paper and its 1996 budget identified a number of economic and social measures that will be undertaken to promote sustainable human development (SHD). In addition to developing macroeconomic strategies that outline a central role for the private sector, the Government has placed its emphasis on reducing unemployment; revitalizing the rural economy; improving the quality of life for youth, women and the elderly; developing the country's human resource base; improving public sector management and efficiency of strengthening social safety nets, and safeguarding the environment. The strategy places emphasis on strengthening the Government's social development capacity and envisages a critical role for external partners, in particular the United Nations system, in strengthening the capacity of the Ministry of Finance and Planning and the sectoral ministries in coordinating and managing domestic and donor resources for the effective and timely implementation of public sector economic and social investment programmes.

II. RESULTS AND LESSONS OF PAST COOPERATION

11. During the last cycle, UNDP programmes focused on public sector management, environment and natural resource management and poverty alleviation. As noted

at the mid-term review, activities undertaken within the cycle had a positive impact and have laid the foundations for sustained development in these areas. Approximately 40 per cent of the resources were allocated to the environment and natural resources management programme. Overall, the objectives of this programme were achieved, as is evident from the enhanced integrated sustainable development planning approaches introduced through the region-wide Capacity 21 project. Direct technical support and training activities in this area resulted in the enhanced capacity of the physical planning unit and provided the Government with legislative and policy planning tools to better manage the country's natural resources. UNDP efforts were also directed at strengthening local level capacity to manage the environment in a sustainable manner through support from the global environment facility/Small Grants Programme which initiated interventions designed to improve management of natural resources and foster community and NGO participation in the process. While all of the foregoing environmental interventions have focused on creating an enabling environment for the sound and sustainable use of the country's environment and natural resources, greater efforts are still required to strengthen the legislative and regulatory frameworks and to reinforce community-based programmes which focus on sound environmental management. Efforts will be directed at linking national initiatives with environmental programmes endorsed at the SIDS conference to be undertaken under the regional programme for Latin America and the Caribbean and the multi-island programme for OECS.

12. Poverty alleviation activities accounted for only 10 per cent of programme resources and focused on building capacity to establish small enterprise development programmes. The creation of the Small Enterprise Development Unit has laid the foundation for the future development of micro-enterprises which will enhance the Government's long-term job creation and poverty reduction strategies.

13. UNDP cooperation had its greatest impact through activities undertaken under the public sector reform programme to which nearly 50 per cent of the resources were directed. Cooperation with the Government's structural adjustment programme led to the successful mobilization of additional support for this critical programme from key bilateral donors. This support helped to restore financial credibility and to establish a sound fiscal management programme and much-needed donor inputs in the area of budget preparation and monitoring. On the basis of lessons learned, UNDP will place emphasis on strengthening the Government's capacity to coordinate development assistance and to utilize the national execution modality and the programme approach, areas where weaknesses were noted.

III. PROPOSED STRATEGY AND THEMATIC AREAS

A. Strategy

14. UNDP support will focus primarily on upstream interventions designed to build national capacities for social policy formulation and effective economic management. The overall objective of this strategy will be to create an enabling environment for good governance, specifically in the areas of social development and sound public sector management. To this end, UNDP will support

capacity-building programmes for the development of intersectoral strategic planning mechanisms in support of SHD programmes. These strategies will assist in developing information systems, the technological support and policy environment required to reposition, enhance and mobilize the country's productive capabilities to meet the demands of trade liberalization and globalization. The strategy has to be two-pronged, aimed at capacity-building for specific upstream and downstream interventions. These strategies, in conjunction with the use of UNDP core funds as catalytic resources, would be used to generate additional support from other development partners as well as to maximize resource flows to the country through efficient mobilization of external resources. Emphasis will also be placed on building strategic alliances with other partners working in the same areas, particularly the European Union and the BDD, and on enhanced donor coordination through the United Nations Resident Coordinator system. In addition, there will be closer linkages with similar activities proposed under the regional and subregional programmes for Latin America and the Caribbean in the areas of the environment, trade, information technology and micro-enterprise development.

B. Thematic areas

15. On the basis of the Government's stated priorities and UNDP areas of comparative advantage, the first CCF will focus on the following thematic areas: (a) poverty eradication and sustainable livelihoods, and (b) governance.

Poverty eradication and sustainable livelihoods

16. The Government has identified poverty reduction, revitalization of the rural economy and improved social safety nets as major development priorities. Reform of the public sector and the negative economic and social impact of the decline in the agricultural sector at a time of declining donor resources, are bound to increase the high levels of unemployment and poverty. These trends indicate that the Government will have to put in place comprehensive policies and programmes which address the development needs of its population, specifically a national policy which addresses poverty reduction. Programmes which increase employment opportunities and the creation of comprehensive social safety nets for disadvantaged groups, particularly female single-headed households and youths, will be the focus of the poverty reduction strategy. Building on accords reached at the global summits, especially the 1995 World Summit on Social Development, and the Fourth World Conference on Women (Beijing, 1995), the programme will support the Government's efforts in poverty eradication.

17. The objectives of the poverty eradication and sustainable livelihoods programme are to develop a national policy framework and long-term strategies which will guide specific interventions. Support will be targeted at formulating a comprehensive national poverty eradication action plan, institutional capacity in social development, and micro-enterprise development. Activities in micro-enterprise development building at the national level will be closely linked to similar initiatives proposed under the UNDP subregional OECS programme.

18. Four areas of activity are planned: (a) broad-based national consultations involving all stakeholders to develop a national poverty action plan and a strategy for implementing specific poverty reduction programmes; (b) in collaboration with CDB, a poverty assessment study to determine the nature and level of poverty in Grenada and the establishment of continuous systems of data collection for social statistics; (c) technical assistance to enhance the accessibility of health delivery systems to vulnerable groups, in collaboration with the Pan-American Health Organization/World Health Organization; and (d) fostering employment generation and sustainable livelihoods through micro-enterprise development targeted at the most disadvantaged population groups. The poverty assessment to be funded through the UNDP Poverty Strategy Initiative will yield disaggregated data that will provide information on the gender dimensions with a view to designing programmes targeting the needs of this significant segment of the population. Given the Government's focus on the revitalization of the rural economy, cooperation will also be targeted at institutional strengthening of NGOs and community-based organizations working in this area.

19. At the end of the programme, it is expected that the Government will have a poverty map and an accurate database of social indicators to monitor its social development on a continuous basis, a national action plan and strategy for implementing monitorable and time-bound poverty eradication interventions and the institutional capacity at both national and local levels to undertake poverty reduction programmes. Job creation activities through micro-enterprise development in partnerships with other donors, the private sector, NGOs and affected rural communities will also have been initiated.

Governance

20. The Government's medium-term strategy has identified enhanced capacity in economic management as a priority. The objective of the programme is to support the Government's comprehensive public sector reform aimed at improving the efficiency and economic management and social development capabilities, particularly in the Ministry of Finance and Planning. Notwithstanding the number of donors identified in Grenada's 1996 budget presentation, approved funding for projects in 1996 remain at 1995 levels. With decreasing external aid flows, effective and efficient use of development cooperation has become critically important. The Government's medium-term strategy paper (1996-1999) concluded that delays in the implementation of several major projects in the Public Sector Investment Programme (PSIP) is one reason for the slow-down in the rate of growth in 1994 and 1995. In the light of difficulties in meeting its public sector investment requirements as well as in responding to its development needs, the Government will explore the possibility of UNDP cooperation in the management of its public sector investment programmes linked to SHD themes. UNDP support will be particularly targeted at strengthening social planning capabilities, and activities will include direct support and training.

21. To enhance the Government's management capacity, UNDP will continue to support: (a) the implementation of the Capacity 21 programme which has initiated the process of participatory integrated planning for sustainable development; (b) the upgrading of management capacity through the introduction

and upgrading of information management technologies. A proposed programme funded through the OECS subregional multi-island programme, will facilitate improved communications through the provision of e-mail and Internet facilities to the planning units and other key decision makers in the subregion. The programme will also assist project managers in each of the OECS member States through the introduction of computerized project management systems. This assistance will build on the Government's efforts to upgrade its project management capabilities.

22. The current climate of economic diversification, restructuring and streamlining of the public sector and privatization demands that the Government develops effective social planning tools to inform its decision makers and to enhance social planning capabilities. The focus of UNDP support will be on the development and maintenance of accurate disaggregated baseline data and social indicators as well as on the establishment of benchmarks to allow for effective regular monitoring and periodic impact assessment. At the end of the CCF period, it is expected that the Government will have an enhanced capacity to plan, coordinate, manage and implement its public sector investment programme in an integrated manner, a modern information management system, clear performance indicators in place and a framework for coordinating donor inputs.

IV. MANAGEMENT ARRANGEMENTS

A. Execution and implementation

23. Based on the experience gained in the implementation of the last cycle, national execution modalities will be used in conjunction with United Nations specialized agency execution, where necessary. Collaboration with the United Nations Population Fund, the United Nations Centre for Human Settlements, the United Nations International Drug Control Programme and PAHO/WHO is foreseen. UNDP will emphasize training of government counterparts in project management and national execution to address the weaknesses of the last cycle. Greater involvement of NGOs and regional institutions in execution and implementation arrangements will be sought in order to build capacity and enhance national ownership of the programme.

B. Monitoring, review and reporting

24. The project and programmes will be subject to reviews based on UNDP standard monitoring and evaluation procedures. The CCF will be subject to triennial reviews and project annual tripartite reviews and evaluations on a regular basis that will involve all stakeholders. Special attention will be paid to including NGOs and beneficiaries of programmes and projects in the evaluation and monitoring exercises through the use of joint programme management committees. Comprehensive bi-annual reports to the Bureau detailing achievements and impact of the programme, particularly with respect to the use of target for resource assignment from the core (TRAC) II resources will be an integral part of the monitoring, review and monitoring process. Monitoring and evaluation procedures will focus on setting benchmarks in order to facilitate measurement and evaluation of SHD interventions. Collaboration with BPPS and

OESP in developing evaluation and monitoring instruments at the programme and project level will be sought. Where appropriate, specific monitoring and evaluation mechanisms will be included in the project design to ensure that strengths and weaknesses and best practices are documented for future reference.

C. Resource mobilization

25. Given the limited UNDP core resources, there will be a need to generate substantial government and third-party cost-sharing if the programme is to have the desired impact. The strategy presupposes that there will be substantial government cost-sharing of the programme and that UNDP will be called upon to manage some of the Government's PSIP projects. The TRAC I and II resources will therefore be essentially catalytic. UNDP is in the process of establishing a resource mobilization unit and its activities will be directed at building strategic alliances with other United Nations agencies, bilateral donors and multilateral financial institutions working at the subregional level such as the Canadian International Development Agency, BDD, CDB, the Inter-American Development Bank (IDB) and the European Union. Initially, emphasis will be placed on the provision of services in project identification, formulation and implementation and will build on subregional initiatives for inter-agency collaboration undertaken during the last cycle, in the areas of trade policy formulation, the diversification of the banana industry, poverty mapping and environmental management. UNDP aid coordination strategies will complement the work of the resource mobilization unit and focus optimum use of external resources.

26. The resource mobilization target table shown in the annex reflects the total core and non-core resources that are expected to be available to support the UNDP programme from 1997 through 1999.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR GRENADA (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	(45)	
TRAC 1.1.1	207	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	-	
Other resources	-	
SPPD/STS	40	
Subtotal	202[a]	
NON-CORE FUNDS		
Government cost-sharing	75	
Sustainable development funds	113	GEF
Third-party cost-sharing	-	
Funds, trust funds and other	142	Poverty Fund
Subtotal	330	
GRAND TOTAL	532[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = global environment facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.